

United Nations Capital Development Fund Mekong Financial Inclusion Forum Outcomes Report

The Mekong Financial Inclusion Forum - *Progressing financial inclusion through greater regional cooperation* took place in Phnom Penh, Cambodia from 11 to 14 July 2016. The Forum was hosted by the National Bank of Cambodia in partnership with UN Capital Development Fund (UNCDF) and the Asian Development Bank (ADB). The event was jointly organized by the Foundation for Development Cooperation (FDC) and Appui au Développement Autonome (ADA), and convened by the Banking with the Poor Network (BWTP).

The Forum convened more than 320 representatives of governments, financial regulators, banks, micro-finance institutions, civil society, academics, business associations and international development agencies who shared their insights and experiences on the topic of financial inclusion in the Greater Mekong sub region, namely: Cambodia, Lao People's Democratic Republic, Vietnam, Myanmar, Thailand, and People's Republic of China (specifically Yunnan Province and Guangxi Zhuang Autonomous Region).

The forum aimed to act as a platform for discussion around best practices, emerging technologies and areas to focus policy efforts in order to create a more conducive business environment for financial inclusion in the Greater Mekong sub region. In doing so, it aimed to strengthen the level of cooperation and knowledge exchange between countries and institutions to progress financial inclusion within the region. As such, the culmination of the event provided policy and business leaders with the opportunity to recap key takeaways from the conference and make actionable commitments to advancing financial inclusion in ASEAN and the Greater Mekong sub region.

The Conference **noted**:

- a. **Financial inclusion presents both a challenge and opportunity for the Mekong Region, in the framework of the UN sustainable development agenda:** In the context of the UN's Sustainable Development Goals, it was noted that all stakeholders have a common aim to ensure financial inclusion confer socio-economic benefits in the region.
- b. **There will be a role for regulation to address these challenges and to leverage on opportunities:** There is a need for proportionate regulation in the market to foster innovation to address the financial inclusion gap, mobile banking regulation including interoperability across mobile operators and regulatory space to allow the creation of networks of mobile agents. Moreover, creating a conducive regulatory environment to enable mobile money to flourish in a market was stressed. Lessons can be learned from other geographic regions as to what policies create such a conducive regulatory environment.
- c. **Financial education to promote financial literacy will provide the foundations for addressing financial inclusion in the region:** There has been progress to address a lack of financial literacy in the region whereby communications technologies have provided the platform for a range of emerging solutions. The financial education agenda falls within the consumer protection mandate of financial regulators but multiple stakeholders including the private sector are recognised as having a responsibility to promote financial literacy. Consequently, diverse models for financial education have emerged many of which are underpinned by advancement in communication technology and social media. Incorporating financial education into school curriculums and using television and social media to engage with youth are recognised as successful strategies, which can be now replicated. Embedding such education into financial product design and using mobile apps is also acknowledged as an

approach that supports customer's decision making at the time when customers need to apply their financial knowledge.

- d. **National financial inclusion strategies will be needed to advance financial inclusion at a country level throughout the Mekong region:** As a tool to support financial inclusion, some countries in the region have started to take steps to develop financial inclusion strategies using multi-stakeholder approaches. Yet there is an acknowledged gap in technical expertise to implement some aspects of these strategies which require international development partner support. Moreover, good practices in developing and implementing a financial inclusion strategy can be applied from other countries and institutions in the region through South-South learning opportunities and peer learning through member institutions such as the Alliance for Financial Inclusion.
- e. **Financial inclusion data, including on women's financial access and usage, can support the tracking of progress for national and regional financial inclusion strategies:** Data can facilitate an understanding of the market and support the development of national financial inclusion strategies and plans. Additionally, analysis of the needs and behaviours of diverse groups of customers can inform market barriers, areas for regulatory support, as well as inform the development of customer centric approaches from financial service providers. Within this framework, the critical importance of both demand and supply side financial inclusion data was recognised. Similar levels of financial services access between women and men may mask different levels of financial usage – hence the need to go beyond only access data. Armed with usage data it is possible to understand the diverse profiles of those that need to be included and develop products that suit their needs and behaviours. Other forms of data can also be used for financial inclusion, such as women's credit histories from other sources such as mobile payment histories or utility bills, or from psychometric tests to evaluate and analyse credit risk. Nevertheless, there is a need to overcome data gaps and quality issues and enhance coordination between relevant ministries to ensure its analysis. Disaggregated data based on particular customers segments is also critical, for example sex-disaggregated data analysis specifically can support the identification of women's financial usage patterns to identify gender differences and segment the women's market to be targeted through tailored value propositions. In turn, women's financial inclusion can unlock economic potential and enhance women's economic empowerment in the region with the potential to add USD 1 trillion to the regional economy by 2025 (Mckinsey Global Institute, Sep 2015).
- f. **Addressing diverse customer demand to foster financial inclusion will require both traditional and new forms of financial infrastructure provided by multiple stakeholders:** Infrastructure such as payment systems, credit information bureaus, mobile distribution channels, etc. need to be developed in various countries in the region and can play a role in advancing financial inclusion in the Mekong. New financial technologies or "fintech" can further provide alternative types of financial infrastructure to promote financial services distribution including using mobile channels and drawing on application programming interface (API) technology.
- g. **Innovation and technology will play a role including the formation of unconventional partnerships to promote last mile financial services distribution:** New technology has changed how customers' financial service needs can be met. Partnerships have emerged between MFIs, mobile financial service providers and social enterprises with distribution networks targeting low income populations with their products and services. These partnerships can enhance financial inclusion. However, more progress is required to meet the challenges of reaching 'last mile' populations and addressing challenges of low levels of literacy and technological competencies. Additionally, there is a need to encourage the private sector to downscale to serve the lower end of the market.

- h. **The application of innovation and technology in the sending, receiving and using remittances will be a driver for financial inclusion in the region:** The launch and growth of mobile money has contributed to enhancing access to finance in the region, in particular through remittances. Yet there remains the challenge of keeping mobile money remittances digital due to factors including: the lack of branchless access points in rural areas, the absence of strategic tie ups with retailers or utilities to accept mobile money payment, restrictions which prevent its usage with delivery companies, and opportunities to save and invest mobile money. Partnerships can support the use of a digital wallet for e-commerce transactions. This requires further examination of how the senders and receivers of remittances use money and identifying the use case of mobile money for households. In turn it involves creating relevant tie ups with retailers.
- i. **Financial inclusion will require diverse stakeholders to collaborate in the financial services ecosystem:** For example, financial service providers, business associations and MFI networks, financial regulators and international partners can work together to develop national financial inclusion strategies, build capacity on consumer protection and financial education, support innovation and knowledge exchange and address pertinent market issues such as over indebtedness.

Based on these discussions the conference accordingly recommends the following to Mekong governments, development partners, financial service providers and technical services providers in the region:

1. Continuing regional cooperation in financial inclusion, including greater cross sectoral collaboration and coordination between financial inclusion policymakers and regulators and other stakeholders to advance cooperation and knowledge sharing. For example through mechanisms such as bi-lateral and multi-lateral cooperation, and the ASEAN Working Committee on Financial Inclusion (WC-FINC), which took place on the side lines of the Mekong Financial Inclusion Forum, can collaborate to achieve the countries specific financial inclusion goals.
2. Broadening the discussion on financial inclusion to a more diverse range of products beyond credit, savings to insurance and pensions in the context of aging populations with insufficient savings.
3. Creating market incentives for the private sector to address last mile access through for example: donors providing innovation challenge funds or supporting public-private or new forms of partnerships to support distribution; governments and regulators addressing mobile literacy, providing regulatory frameworks that foster innovation and allow the application of new and enabling technologies such as mobile banking, and addressing consumer protection concerns including the security of cash deposits during its transfer by agents.
4. Harmonising financial regulations and standards that can promote financial inclusion at a regional level both within countries and between countries. This may include the collection of standardised financial inclusion data to support understanding of how different groups access and use money and facilitate comparability between the Greater Mekong countries to identify interventions that work.
5. Segmenting different client groups in financial inclusion plans and the development of targets for each segment, such as women and rural populations. Moreover, examining and comparing patterns in financial usage between women and men.
6. Creating financial education mechanisms to boost financial literacy including through public-private partners with media partners and with ministries of education to facilitate its integration into the national curriculum for school children and youth, as well as creating a repository of these interventions to facilitate knowledge sharing at a regional level.
7. Encouraging Central Banks to continue their leadership and commitment to advancing financial inclusion, as demonstrated by the National Bank of Cambodia including its

establishment of a Financial Inclusion Taskforce and the launch of its financial inclusion demand side survey.

8. Convening of the Mekong countries for a second forum on financial inclusion, recognising the effectiveness of this first Mekong Financial Inclusion Forum as a platform for south-south learning through regional sharing of information and experiences to advance financial inclusion within the region.

In the context of these discussion outcomes and recommendations UNCDF hereby reasserts its commitment to collaborate with all stakeholders to accelerate financial inclusion within the Mekong Region.